THE MISSOURI BUDGET
FISCAL YEAR 2010
SUMMARY

I. OVERVIEW

Governor Nixon's Fiscal Year 2010 Budget carefully balances substantial cuts in the size and cost of government infrastructure with across-the-board maintenance of the levels of those essential government services Missourians have a right to expect. Then, in certain selected areas chosen for their ability to strengthen Missouri's economy in both the short and long term, the Fiscal Year 2010 Budget proposes reasonable and sustainable expansions in services that will create the jobs of the future, provide a world-class education to the Missouri workforce of the future, expand access to health care, and build a more efficient and effective state government.

The Fiscal Year 2010 Budget, like the new administration's bi-partisan approach to problem solving, is based on a series of four collective principles; principles that are shared by the Governor, the General Assembly and other statewide elected officials, and the people of Missouri.

The first principle is that we all value the self-reliance that comes from earning our way in the world – a hard day's work for a fair wage. But too many Missourians are unemployed, or fear they will soon lose the job they have. The first priority of Governor Nixon's administration, reflected throughout the Fiscal Year 2010 Budget, is to create new jobs and grow the jobs we have. Investing in technology, science, and innovation will create the next-generation jobs we need to compete in the 21st Century.

The second principle we share is the value of education and the contribution that a coordinated, adequately funded educational system – stretching from pre-kindergarten throughout an adult's working life – can and does have on the quality of life of all Missourians. Equally important, establishing education as a bi-partisan priority sends a signal to employers and potential employers that Missouri is serious about creating, attracting and maintaining high-quality jobs by delivering a high-quality workforce.

Third, Missourians share the principle that affordable and accessible healthcare for all is a goal worth fighting for. Beyond its moral component, this value reflects the economic imperative every bit as much as the work and education principles set forth above. A healthier workforce is a more productive workforce. Moreover, Missouri cannot afford to lose current and prospective employers because of escalating healthcare costs caused by cost-shifting the expense of large numbers of uninsured Missourians onto the backs of employers, providers and those who currently have health insurance. The presence of 150,000 uninsured Missouri children underscores the need for a concerted, bi-partisan approach to this principle, and to improving access and affordability. The Fiscal Year 2010 Budget makes prudent, sustainable progress on this important shared principle.

Our fourth shared principle is the need for a fiscally responsible, effective government that does its business in public and for the public. Sound, responsible financial planning demands that we take a hard look at both the short-term and long-term sustainability of the government we manage. Record shortfalls from predicted revenues in the current Fiscal Year, 2009, have created substantial challenges in balancing the government through the end of June 2009. Nevertheless, expenses will not be allowed to exceed the funds actually available to meet them. For Fiscal Year 2010, the national and international economic crisis will keep Missouri's tax revenues at, or close to, the depressed Fiscal Year 2009 levels – and well below the levels actually received and spent in Fiscal Year 2008. Therefore, real and substantial cuts in the size and cost of government must be made – and the Fiscal Year 2010 Budget makes them. At the same time, however, many Missourians rely on the services government provides in times of economic hardship more than at any other time. Making cuts in those programs, in the midst of this economic crisis, would be unconscionably harsh. We must not balance our books on the backs of the weakest among us. More importantly, we cannot – and the Fiscal Year 2010 Budget does not and will not – sustain the government by imposing additional tax burdens on Missouri families or businesses at a time when far too many of both are stretched to the breaking point. We must put Missouri's fiscal house in order, lay the groundwork for recovering from this economic collapse, and provide essential services where they are needed most. The Fiscal Year 2010 Budget accomplishes these tasks. Yet, even though the Fiscal Year 2010 Budget calls for a smaller, more productive and more efficient government workforce, it is up to leaders to make it clear to state workers that they are appreciated and we value their contribution to the government's mission. The Fiscal Year 2010 Budget does this as well.

These four principles – jobs, education, healthcare, and a fiscally responsible yet effective government – are not values that belong to just one person, or one ideology, or one political party. Instead, they are Missouri's values – they are held by and belong to all of us, and the Fiscal Year 2010 Budget reflects them as shown below:

JOBS

The Fiscal Year 2010 Budget includes:

- The resources necessary in the Department of Economic Development to implement and administer the Show Me JOBS initiative, an expansion of the Quality Jobs Program and low-interest loans to small businesses, and the Missouri BUILD Program which provides tax credits to help large-scale businesses expand their operations and create new jobs in the state.
- $15 million for the Missouri Customized Job Training Program, including an increase of $4 million (+38%).
- $16 million for the Community College New Jobs Training Program, which provides assistance to businesses expanding Missouri's workforce.
- $10 million for the Job Retention Training Program, which provides general skill and industry-specific occupational training for Missouri businesses.
- $53 million to fully fund biodiesel and ethanol subsidies – including $6.3 million to expand biodiesel production by more than 31 million gallons.
- $40 million for a coordinated expansion of the healthcare workforce training capacity through the state's two-year and four-year public colleges and universities, which will produce an additional 916 highly qualified graduates into the healthcare workforce in the first six years.
- $13 million in the Life Science Trust Fund for research grants to aid the industries of tomorrow.
- $167 million (including $3 million in new funding) to maintain current eligibility levels for assistance with child care costs, which helps keep low-income working parents at work.

EDUCATION

The Fiscal Year 2010 Budget includes:

Elementary and Secondary

- $3 billion to fully fund the statutory Foundation Formula for elementary and secondary education at 524 local school districts, including a $62 million increase over Fiscal Year 2009.
- $38 million for the Career Ladder Program, which enhances career development and compensation for participating teachers.
- $3 million for Missouri's alternative schools, including $250,000 new funds for the first expansion of this effort since it reached its high water mark in 2002.
- $51 million to fund Missouri's School for the Blind in St. Louis and the School for the Deaf in Fulton, two residential facilities, as well as Missouri's schools for the severely disabled around the state, including an additional $1 million to expand services while providing additional flexibility to facility superintendents.
- $403 million for school transportation and food services, including $28 million in new funding.
- $25 million for Missouri's sheltered workshops, including $4 million in new funding which will allow Missouri to raise the rate it is paying to $18/day per worker.
- $30 million for the First Steps Program, including more than $1 million in new funding.
- $34 million for the Parents as Teachers Program.
- $359 million, for early childhood special education and special education grants, including $30 million in new funding.
- $26 million to help local school districts with the costs of educating children with special needs, including $5 million in new funding.
- $56 million including $4 million in new funding to maximize access to available federal funds for vocational rehabilitation grants.
- $4 million for assistive technology grants to provide equipment to individuals with disabilities.

Continuing Education

- $53 million for Career Education programs, including career-technical, adult and community education opportunities.

Higher Education

- No tuition increases – In exchange for a commitment to receive the same appropriation for Fiscal Year 2010 as it did for Fiscal Year

2009, each public college and university has agreed not to raise tuition or education-related fees. Fiscal Year 2010 funding for these colleges and universities is $986 million, and each institution will receive at least the amount appropriated in Fiscal Year 2009.

- Full funding of Access Scholarships – the Fiscal Year 2010 Budget provides $96 million for Access Scholarships, continuing the level of support from Fiscal Year 2009, plus an inflationary enhancement of $3 million. However, the current distribution formula permits students attending private colleges and universities to receive more than twice the amount of taxpayer-funded scholarships as a student attending our public colleges and universities. Governor Nixon proposes to make these distribution guidelines more equitable so the amount of aid a student might qualify for does not depend on whether the school he or she chooses to attend is a private or public school.
- Initial implementation of Missouri Promise – the current A+ Program provides qualified students, who are willing to make and keep a community service commitment, with a scholarship for two years to any public community college. The Fiscal Year 2010 Budget expands and replaces A+ with Missouri Promise, under which students successfully finishing their community college degree will be eligible to continue their education into their Junior and Senior years at a public four-year college or university of their choice. Under this program, Missouri students have a realistic pathway to a four-year college degree tuition free, and without having taken on a crushing debt burden. This Fiscal Year 2010 cost of this initial expansion is $26 million in addition to the $25 million cost of the former A+ program.

HEALTHCARE

The Fiscal Year 2010 Budget provides:

- No cuts in Medicaid eligibility or services – none. The Fiscal Year 2010 Budget provides $7.1 billion, including increases of $361 million, to maintain all services and eligibility levels throughout the Medicaid Program in the Departments of Social Services, Mental Health, Health and Senior Services and Elementary and Secondary Education.
- $231 million ($37 million of general revenue) to expand health care opportunities to an additional 62,000 Missourians, including more than 27,000 children.
- $360,000 to establish the Missouri Quality Homecare Council to coordinate care for elderly and disabled clients served by state programs. Missouri voters approved establishing the Council in November 2008.
- No reduction in direct services to non-Medicaid patients in the Department of Mental Health, or to Missouri's seniors or individuals with disabilities served by the Department of Health and Senior Services.
- $44 million to continue funding to local Area Agencies on Aging.
- $9 million for core public health functions provided through local health departments.

FISCALLY RESPONSIBLE, EFFECTIVE GOVERNMENT

The Fiscal Year 2010 budget includes core reductions of more than $1 billion ($262 million of general revenue), including more than $170 million ($100 million of general revenue) slashed directly from personnel and departmental expenses throughout government, resulting in the elimination of 1,329 positions. These cuts were targeted to areas that would have the least impact on vital services provided by state government, while preserving and protecting the core values of jobs, education, and health care.

Given the reduced size of the Missouri government, state employees will be asked to do more with less. Governor Nixon knows that as duties shift to remaining staff, state employees must remain motivated, enthusiastic and healthy. Public service is crucial to continuing the vital services provided to Missouri taxpayers, and the Fiscal Year 2010 Budget asks more from government workers of whom already much is expected. Accordingly, the Fiscal Year 2010 Budget includes:

- $79 million for a 3 percent pay raise for all state employees.
- $96 million to maintain the state's share of continuing the same health care plan benefit levels for state employees through Fiscal Year 2010.

II. REVIEW OF THE FISCAL YEAR 2009 BUDGET

Fiscal Year 2009 revenue growth was expected to be stronger than Fiscal Year 2008. Just twelve months ago, general revenue collections (net of refunds) for Fiscal Year 2009 were projected to grow by 3.4 percent over then-estimated Fiscal Year 2008 revenues. Even before Fiscal Year 2009 began in July of 2008, however, clouds had gathered on the economic horizon. The economy already had begun to slow through the first 8 months of Calendar Year 2008. With the housing market slumping, unemployment up, fuel costs skyrocketing and both banks and investors unwilling to lend or borrow, the stage was set for the collapse that occurred in September and October. Given the subsequent large-scale losses in home values, retirement savings values and rising concern over unemployment, consumers have slowed spending dramatically.

The adjusted Consensus Revenue Estimate for Fiscal Year 2009, released January 22, 2009, shows a significant $542 million downward adjustment from the original estimate. Rather than the 3.4 percent increase in revenues originally forecast, Fiscal Year 2009 revenues are now expected to fall 4.0 percent. Given that Fiscal Year 2009's general revenue appropriations exceeded the forecasted net general revenue collections even at the time the budget was adopted, this enormous decrease in anticipated funds has resulted in shortfalls for planned expenditures of more than a quarter billion dollars. Governor Nixon has implemented an aggressive plan to bring expenses down to ensure that the state's expenses do not exceed its available resources in Fiscal Year 2009. Priorities will be re-assessed to take into account changes in necessary expenses as well as the amount of resources.

III. THE ECONOMIC OUTLOOK

U.S. Economic Position

Three economic forces with roots in Calendar Year 2007 combined to create a near "perfect storm" in Calendar Year 2008 that may have forever altered the U.S. economic landscape. First, energy prices soared throughout the first three quarters of Calendar Year 2008. After averaging about $66 per barrel in 2006, oil climbed to $99 per barrel in 2007, and then jumped to $146 per barrel in July 2008 amidst an inflationary backdrop and market volatility. Gasoline prices, which had hovered around $2.60 per gallon in 2006, also shot upward to $4.10 in July 2008. Despite the collapse in gasoline prices in the fall and winter of 2008, the average price for gasoline for the entire calendar year was about 16 percent higher than in 2007. Consumers and businesses were forced to absorb these increased costs, both directly and indirectly, straining already tight budgets and decreasing the amount of cash available for spending or investing.

After two years of steady declines in residential construction, the new housing market nearly stalled completely in Calendar Year 2008 as both credit and prospective purchasers grew scarce. Record numbers of homeowners faced foreclosure as numerous subprime loans reset from introductory "teaser" rates to increasingly unaffordable adjustable rates. Foreclosures added to the growing housing oversupply, putting further downward pressure on home prices. Finally, the oversupply in housing caused by the foregoing resulted in the first housing price declines in decades. Though the rate of decline in the housing construction market is slowing, issuance of building permits has flattened and prices continue to fall. Any significant rebound appears to be months off, and then only if commercial banks regain their willingness to issue additional loans.

Trillions of dollars of financial derivatives, many backed by subprime mortgages, lost all or most of their value virtually overnight, which resulted in the near-total collapse of capital markets. Major investment firms were unable to secure large sums of short-term financing as financiers became highly risk averse. The chaos that ensued in financial markets led to unprecedented changes throughout the U.S. financial infrastructure. Virtually all major investment banks disappeared: Bear Stearns was bought by JP Morgan (based upon government assurances); Lehman Brothers failed; and Bank of America bought Merrill Lynch. The final two banks, Goldman Sachs and Morgan Stanley, converted from investment banks to bank holding companies, accepting more government regulation in return for greater access to Federal Reserve resources. Fannie Mae and Freddie Mac, the government-sponsored entities that own a large portion of U.S. mortgages, were seized by the U.S. Department of the Treasury. The FDIC took control of banks IndyMac and Washington Mutual, the largest bank failures in U.S. history. Wachovia bank was eventually acquired by Wells Fargo. The Federal Reserve acted to save insurance firm AIG with a massive bailout loan. The U.S. Treasury proposed the $700-billion Troubled Asset Relief Program (TARP), and was eventually given broad powers to invest the money as necessary. The turmoil, much of which occurred during September 2008, resulted in a 22-percent decline in the Dow Jones Industrial Average for the first week of October 2008, the largest weekly decline in history. The S&P 500 ended the year with a loss of over 38 percent. The financial crisis spread globally and central banks began working together to inject liquidity. Ultimately, the Federal Reserve took unprecedented action and set its target interest rate at essentially zero. They also declared efforts to engage in quantitative easing through expanded loan authority, the acquisition of Fannie Mae and Freddie Mac assets, and the purchase of long-term U.S. Treasury issuances.

With financial markets in chaos, no access to capital, and costs rising, business investment slowed leading to closures and layoffs. Consumers, despite a boost from a federal fiscal stimulus package in the spring of 2008, sharply pulled back spending late in the year. The causes are not hard to locate, as consumers had been buffeted throughout Calendar Year 2008 by the loss of trillions of dollars in market investments, declining housing wealth, the inability to access home equity-based loans, and suffocating energy costs. The real economy unsurprisingly contracted most of the year. Indeed, the National Bureau of Economic Research officially declared that economic activity reached its peak in December 2007. Given substantially reduced aggregate demand, in the fourth quarter of 2008 the real economy entered into its deepest

Economic Projections

	Increase by Calendar Year		
U.S.	**2008**	**2009**	**2010**
Real GDP	1.1 %	(1.3) %	3.7 %
Total Employment	(0.3) %	(2.3)%	0.6 %
Unemployment Rate	6.7 %	8.4 %	7.7 %
Personal Income	3.8 %	1.4 %	3.2 %
Consumer Expenditures	3.7 %	(0.7) %	3.3 %
Consumer Prices	3.8 %	0.0 %	0.9 %
MISSOURI			
Total Employment	(0.4) %	(0.8) %	1.2 %
Personal Income	4.0 %	2.2 %	4.0 %

recession since 1982, and conditions are expected to be equally dismal during the first quarter of Calendar Year 2009.

The U.S. economy is expected to return to average growth by Calendar Year 2010, but the immediate future is highly uncertain and appears grim. With financial markets still dysfunctional, consumers are spending only on necessities, business investments are on hold, homebuilding remains stalled, and exports are declining. It is likely the current recession will rival the decline in the early 1980s, possibly becoming the most severe contraction since World War II. Investors, businesses, and consumers – as well as state and local governments – are anticipating spending from the American Recovery and Reinvestment Act (AARA) currently being debated in Congress.

However, signs of hope are appearing. Energy prices have remained low, lessening the strain on consumers' finances. Mortgage rates are falling, in some cases to under five percent, and the Federal Reserve has announced plans to support mortgage financing. In combination with increasingly attractive prices for buyers, these developments may kick-start residential investment in 2009. The TARP, in combination with the easing of Federal Reserve rates, may have the hoped-for effect of encouraging lenders to provide access to capital. The ARRA is expected to provide nearly $1 trillion of targeted federal fiscal stimulus over the next two years in the form of tax cuts for businesses and individuals, as well as stabilization funds to allow state and local governments maintenance of essential programs and services.

It should be noted, however, that substantial negative risks to the Fiscal Year 2010 forecast remain. The global economy is clearly weakening in response to lower U.S. demand. Domestically, the troubles of U.S. automakers have reached a critical mass; Chrysler and GM received billions of dollars in assistance as part of the Troubled Asset Relief Program (TARP) in an effort to avoid bankruptcy. New car sales continue to slump and the future of the domestic automotive industry hangs in a precarious balance.

Missouri Economic Position

The Missouri economy peaked in Calendar Year 2007, but – as with nearly all states – Missouri is struggling against the tidal wave of the national recession. Missouri employment has been on a general decline since October 2007. According to U.S. Bureau of Labor Statistics' data, through the twelve months ending November 2008, the state lost 23,200 jobs, a decline of 0.8 percent. Losses were felt acutely in the motor vehicle and transportation equipment manufacturing sectors, as over 10,000 jobs (3,000 direct automotive jobs) disappeared, a reduction of over 17.0 percent. Missouri's unemployment rate reached 6.7 percent in November, the highest level in over seventeen years. Claims for unemployment insurance have been growing at a pace similar to the recession earlier this decade, and are approaching the peaks reached in 2003. Personal income growth during Calendar Year 2008 slowed to about 4.0 percent, somewhat below average. However, when transfer payments and inflationary effects are excluded, personal income has contracted for three straight quarters. Together, these data demonstrate Missouri is suffering from the national recession.

Missouri's economic outlook over the next two years is similar to that of the nation, weighed down by the general outlook in the housing and automotive industries. Employment is expected to decline by 0.8 percent in 2009, while personal income growth will slow to only 2.0 percent. Housing construction continues to decline, with new permit issuances approaching one-third the level of the 2005 peak. Growth is expected to rebound in 2010, however, to rates closer to historical averages. Downside risks include the continued weakness of America's troubled automobile manufacturers, which could lead to the closure of additional Missouri automobile plants and suppliers. In addition, continued contraction in housing-related industries is expected, as are continued reductions in exports as the global economy shrinks.

IV. REVENUE PROJECTIONS FOR FISCAL YEARS 2009 AND 2010

Revenue forecasting is challenging under the best of circumstances, and becomes even more difficult when the questions become – as it is for Fiscal Year 2010 – whether a stumbling national economy will recover and when, and whether Missouri will lead or lag behind that recovery. Continued restriction in the credit market, as well as volatility in the equity markets and unpredictable energy prices, complicate both questions. Nonetheless, the state must move ahead with its budgeting based on the best available economic information. Governor Nixon is committed to working constructively with members of the General Assembly to find bi-partisan answers to the states challenges, and this cooperation began even before the inauguration. On January 22, 2009, despite the enormous difficulty in discerning a reasonable forecast for Fiscal Year 2010 and the magnitude of the downward adjustment needed for the Fiscal Year 2009 estimate, the Governor and legislative leaders reached a consensus on both numbers.

An historic drop in net general revenue collections is now expected for Fiscal Year 2009 as compared to Fiscal Year 2008. The revised revenue estimate calls for a decline of 4.0 percent, the largest forecasted decline since the consensus process started in 1992, and more than one-half of a billion dollars below the 3.4 percent growth envisioned twelve months ago. Individual withholding revenues are the only major source of gross collections showing growth, albeit below average. Sales and corporate taxes have been deeply impacted by the recession. Sales taxes have been further reduced by the final year of implementation of Constitutional Amendment Number 3, the 2004 transportation ballot initiative. Spring individual income taxes will be adversely impacted by slowing dividend and interest income, and will show evidence of the major capital losses incurred in equity markets in 2008. Collections will also be reduced by accelerated depreciation provisions included in the federal Economic Stimulus Act of 2008, which became effective in the spring of 2008. Tax changes in the form of income tax relief for seniors will also curtail revenue growth. Tax credit redemptions are expected to remain strong.

General revenue growth in Fiscal Year 2010 will depend on the duration of the current recession and the circumstances of any economic turnaround. Because growth is not expected to rebound until the beginning of Calendar Year 2010, it will be difficult for Fiscal Year 2010 collections to gain much upward momentum. Therefore, below-average growth of only 1.0 percent is anticipated.

V. AMERICAN RECOVERY AND REINVESTMENT ACT

In addition to the net general revenue collections accounted for in the consensus revenue estimate, and all of the other funds and federal funds that make up the balance of Missouri's budget, it became clear in January 2009 that Congress will pass, and President Obama will sign, an unprecedentedly-large federal stimulus plan that will include direct funds available for states to use to maintain essential government services. The Fiscal Year 2010 Budget was prepared with up-to-the-moment information as to the status of the American Recovery and Reinvestment Act; the Governor's administration has been in close contact with every member of the Missouri Congressional delegation, monitoring the various proposals and the impact each could have on the state.

By the time the Fiscal Year 2010 Budget was finalized and sent for production, however, three overarching points had become clear. First, there will be a stimulus, including direct aid to states that must be invested in Missouri's present and future as prudently as possible. Though Congress will undoubtedly attach conditions to the use of stimulus funds, it is likely that such conditions will closely track Missouri's shared principles of jobs, education, and health care. Second, spending this money on maintaining the size and cost of the current government would be irresponsible. No matter the size or purpose of stimulus funding streams, those streams will eventually run dry and Missouri must have a smaller, more efficient government in place. Finally, receipt of many of these funds will be conditioned on at least maintaining, if not expanding, core government functions such as education and health care. Cutting such services, and refusing to use available resources directed to preserve such functions, is neither in the short-term nor long-term best interest of the state or the people it serves. Accordingly, for Fiscal Year 2010, $809 million of federal stimulus funding money is included in the revenues available and to spend as general funds (and was true in Fiscal Years 2003-2004 when federal stimulus funds also were provided) when it is needed. This sum was arrived at through conservative calculations of the major provisions under debate. However, if during the Missouri legislative session it becomes clear that the precise amount of budgetable stimulus funding varies materially from this sum, Governor Nixon will work with the General Assembly to reconcile the Fiscal Year 2010 variance.

Regardless of the high degree of certainty surrounding the availability of federal stimulus funding for Fiscal Year 2010, it must be clearly noted and understood that Governor Nixon is neither relying on, nor expecting, any such funds in solving the historic shortfalls existing in the Fiscal Year 2009 Budget. The administration is ready and able to reduce expenses as necessary in order to stay within anticipated revenues and ensure the Fiscal Year 2009 Budget remains balanced.

VI. REVENUE LIMITATION AMENDMENT

Article X of the Missouri Constitution establishes a revenue and spending limit on state government. The limit is about 5.6 percent of Missouri personal income, based on the relationship between personal income and total state revenues when the limit was established and approved by voters in November 1980. Calculations made pursuant to Article X of the Missouri Constitution show that total state revenues for Fiscal Year 2008 were below the total state revenue limit by nearly $1.2 billion.

The Office of Administration projects that total state revenues will not exceed the total state revenue limit in Fiscal Years 2009 or 2010. These preliminary calculations are subject to change as actual state revenue collections become known and as the federal government revises its estimates of Missouri personal income. Though Governor Nixon's Fiscal Year 2010 Budget neither assumes nor would permit any tax increases, these projections could change if the General Assembly were to pass legislation to increase taxes without a vote of the people. Pursuant to Article X of the Missouri Constitution, revenue approved by the voters is not subject to the revenue and spending limit.

In addition Article X, Section 18(e) of the Missouri Constitution states the General Assembly shall not increase taxes or fees in any fiscal year, without voter approval, that in total produce net new annual revenues greater than $50 million, adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or one percent of total state revenues for the second fiscal year prior to the General Assembly's action, whichever is less.

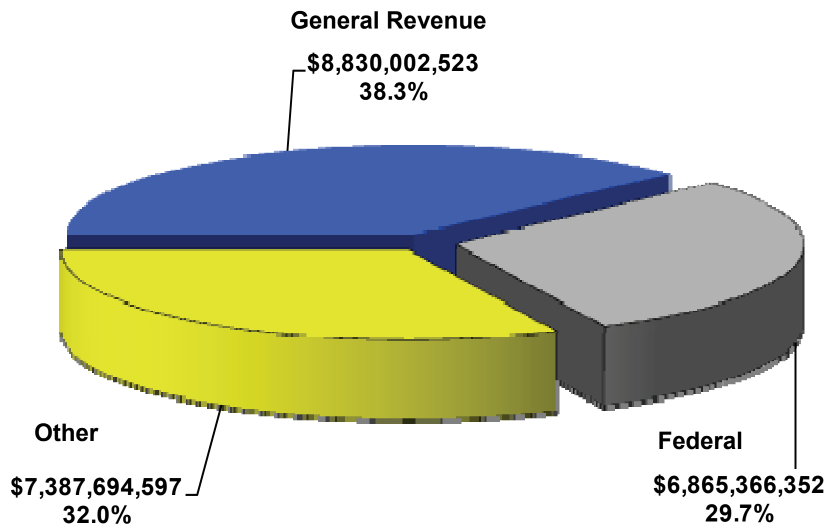
"Net new annual revenues" is defined as the net increase in annual revenues produced by the total of all tax or fee increases by the General Assembly in a fiscal year, less refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year.

For Fiscal Year 2008, these limits were $88.8 million for the personal income amount and $86.0 million for the one percent of total state revenues amount. Legislative actions in the 2008 session resulted in a reduction of $124.7 million in state revenues, which is clearly below the constitutional limit.

For Fiscal Year 2009, the limits are calculated at $92.2 million for the personal income amount and $89.9 million for the one percent of total state revenues amount.

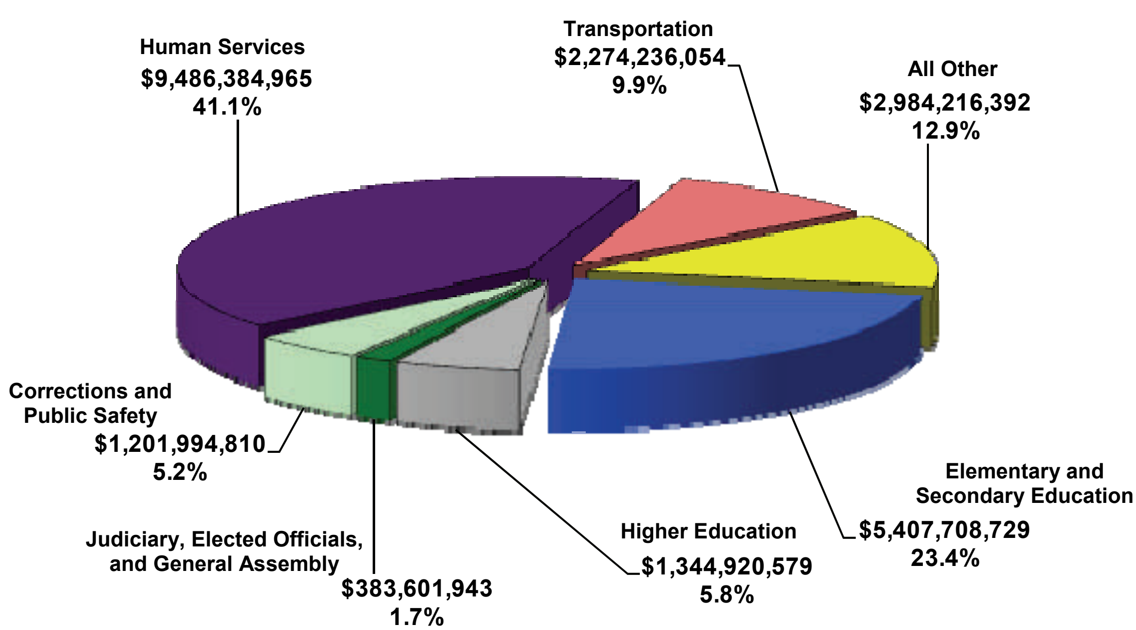
FY 2010 TOTAL OPERATING BUDGET

SOURCES OF FUNDS
Total Funds* $23,083,063,472



GOVERNOR'S RECOMMENDED OPERATING BUDGET—ALL FUNDS

Total Appropriations* $23,083,063,472



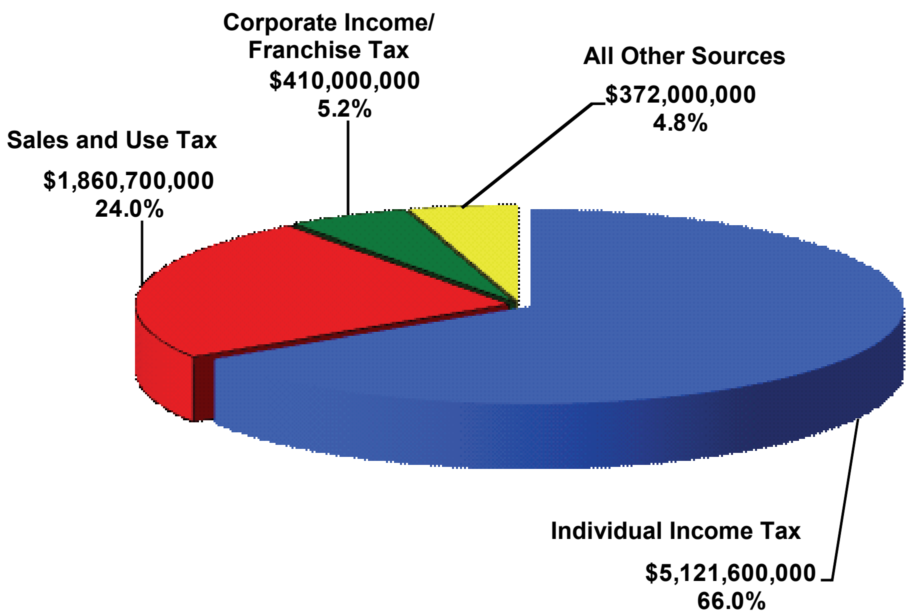
*Excludes refunds

GENERAL REVENUE RECEIPTS AND ESTIMATES

	Actual Receipts FY 2008	Consensus Estimate FY 2009	Consensus Estimate FY 2010
Collections			
Individual Income Tax	$ 6,110,159,127	$ 6,079,300,000	$ 6,131,200,000
Sales and Use Tax	2,000,469,768	1,927,400,000	1,929,200,000
Corporate Income/Franchise Tax	613,499,479	542,000,000	542,000,000
County Foreign Insurance Tax	209,633,065	215,000,000	222,000,000
Liquor Tax	26,128,940	27,500,000	27,000,000
Beer Tax	8,476,533	8,600,000	8,500,000
Inheritance/Estate Tax	3,451,099	2,300,000	0
Interest on Deposits and Investments	63,648,043	45,000,000	34,000,000
Federal Reimbursements	78,235,708	81,800,000	79,200,000
All Other Sources	148,570,821	145,200,000	147,200,000
Total General Revenue Collections	9,262,272,583	9,074,100,000	9,120,300,000
Refunds	(1,258,397,641)	(1,386,700,000)	(1,356,000,000)
Net General Revenue Collections	$ 8,003,874,942	$ 7,687,400,000	$ 7,764,300,000
Net Growth Rate		-3.95%	1.00%

FY 2010 CONSENSUS REVENUE ESTIMATE

Net General Revenue $7,764,300,000



GENERAL REVENUE SUMMARY

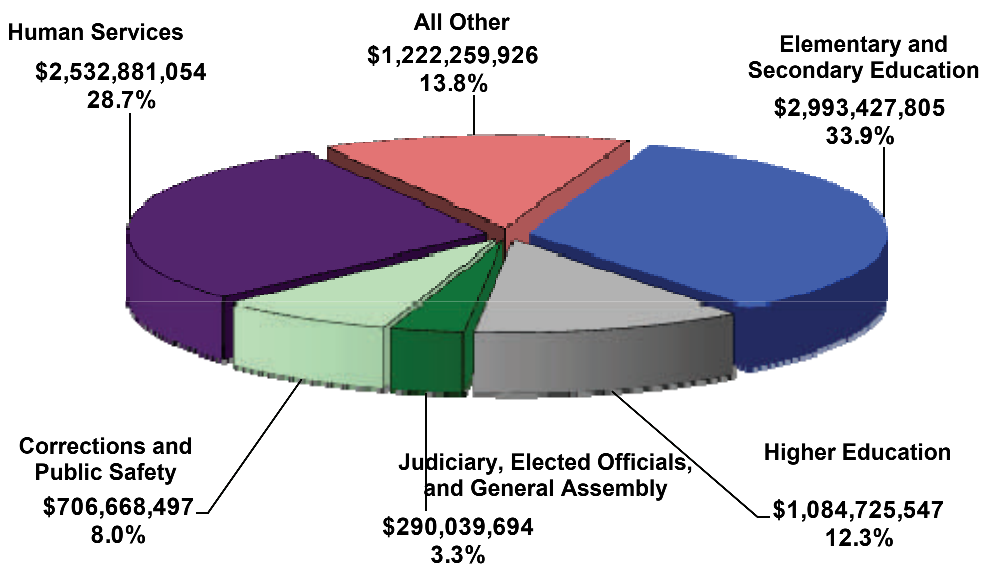
RESOURCES	FY 2008	FY 2009	FY 2010
Beginning Balance	$ 597,888,724	$ 545,131,560	$ 0
Previous Year's Lapse[1]	155,113,164	290,692,220	201,255,196
Revenue Collections	9,262,272,573	9,074,100,000	9,120,300,000
Refunds	(1,258,397,641)	(1,386,700,000)	(1,356,000,000)
Federal Stimulus Receipts[2]	0	0	809,200,000
Transfers to Fund	153,096,204	154,100,000	175,300,000
Total Resources Available	$ 8,909,973,024	$ 8,677,323,780	$ 8,950,055,196
OBLIGATIONS			
Operating Appropriations	$ 8,212,907,639	$ 8,639,388,717	$ 8,830,002,523
Supplementals	55,144,763	35,531,247	50,000,000
Increased Estimateds	24,709,822	30,000,000	20,000,000
Capital Appropriations[3]	72,079,240	149,132,086	50,000,000
Expenditure Reductions	0	(176,728,270)	0
Total Obligations	$ 8,364,841,464	$ 8,677,323,780	$ 8,950,002,523
Ending Balance	$ 545,131,560	$ 0	$ 52,673

NOTES TO GENERAL REVENUE SUMMARY

1. Unexpended appropriations are counted as a resource in the next fiscal year to avoid premature commitment of uncertain resources until actual lapses are known. This includes reserves authorized by Section 33.290, RSMo.
2. Fiscal Year 2010 includes $809,200,000 for state fiscal stabilization from the American Recovery and Reinvestment Act of 2009.
3. The Fiscal Year 2010 Capital Budget (including new construction, maintenance/repair and re-appropriations) funded with these general revenue amounts, as well as other funds, will be presented at a later date.

GOVERNOR'S RECOMMENDED OPERATING BUDGET—GENERAL REVENUE

Total Appropriations* $8,830,002,523



*Excludes refunds

FY 2010 OPERATING BUDGET SUMMARY

House Bill		FY 2008 Expenditures	FY 2009 Appropriations	Governor's Recommendation FY 2010
1	**Public Debt**			
	General Revenue	$ 86,184,780	$ 89,899,194	$ 83,604,814
	Federal Funds	0	0	0
	Other Funds	6,022,007	8,332,977	8,447,482
	Total	$ 92,206,787	$ 98,232,171	$ 92,052,296
2	**Elementary and Secondary Education**			
	General Revenue	$ 2,863,156,687	$ 3,002,412,965	$ 2,993,427,805
	Federal Funds	848,306,738	950,859,501	972,040,273
	Other Funds	1,403,773,780	1,393,864,003	1,442,240,651
	Total	$ 5,115,237,205	$ 5,347,136,469	$ 5,407,708,729
3	**Higher Education**			
	General Revenue	$ 910,107,089	$ 1,028,804,430	$ 1,084,725,547
	Federal Funds	2,524,573	5,119,468	6,176,241
	Other Funds	212,266,303	233,227,295	254,018,791
	Total	$ 1,124,897,965	$ 1,267,151,193	$ 1,344,920,579
4	**Revenue**			
	General Revenue	$ 86,524,673	$ 89,434,513	$ 83,865,389
	Federal Funds	4,080,483	6,419,221	6,677,204
	Other Funds	364,980,831	345,723,127	346,114,192
	Total	$ 455,585,987	$ 441,576,861	$ 436,656,785
4	**Transportation**			
	General Revenue	$ 12,371,541	$ 13,142,698	$ 14,192,923
	Federal Funds	63,773,263	73,961,070	75,150,687
	Other Funds	2,123,962,331	2,371,084,670	2,184,892,444
	Total	$ 2,200,107,135	$ 2,458,188,438	$ 2,274,236,054
5	**Office of Administration**			
	General Revenue	$ 168,383,623	$ 181,888,270	$ 172,735,297
	Federal Funds	60,988,134	72,891,737	72,698,333
	Other Funds	44,970,162	64,286,477	62,521,367
	Total	$ 274,341,919	$ 319,066,484	$ 307,954,997
5	**Employee Benefits**			
	General Revenue	$ 507,588,215	$ 526,370,644	$ 595,127,070
	Federal Funds	139,003,523	158,036,143	188,926,753
	Other Funds	139,558,969	152,983,837	170,640,954
	Total	$ 786,150,707	$ 837,390,624	$ 954,694,777
6	**Agriculture**			
	General Revenue	$ 36,421,911	$ 57,718,487	$ 63,270,916
	Federal Funds	2,031,585	4,614,629	3,638,844
	Other Funds	10,515,030	14,379,809	14,074,474
	Total	$ 48,968,526	$ 76,712,925	$ 80,984,234

FY 2010 OPERATING BUDGET SUMMARY

House Bill		FY 2008 Expenditures	FY 2009 Appropriations	Governor's Recommendation FY 2010
6	**Natural Resources**			
	General Revenue	$ 11,742,801	$ 15,153,322	$ 13,326,399
	Federal Funds	30,905,237	42,541,044	43,116,651
	Other Funds	212,350,583	270,532,637	263,966,160
	Total	$ 254,998,621	$ 328,227,003	$ 320,409,210
6	**Conservation**			
	General Revenue	$ 0	$ 0	$ 0
	Federal Funds	0	0	1
	Other Funds	139,052,809	145,534,841	145,534,841
	Total	$ 139,052,809	$ 145,534,841	$ 145,534,842
7	**Economic Development**			
	General Revenue	$ 57,922,016	$ 72,555,297	$ 81,193,190
	Federal Funds	136,268,982	167,647,376	164,755,746
	Other Funds	39,024,169	75,598,552	65,817,664
	Total	$ 233,215,167	$ 315,801,225	$ 311,766,600
7	**Insurance, Financial Institutions and Professional Registration**			
	General Revenue	$ 0	$ 0	$ 0
	Federal Funds	692,650	700,000	700,001
	Other Funds	29,206,845	36,171,835	36,741,321
	Total	$ 29,899,495	$ 36,871,835	$ 37,441,322
7	**Labor and Industrial Relations**			
	General Revenue	$ 2,481,196	$ 2,646,233	$ 2,323,402
	Federal Funds	44,112,195	47,444,717	48,072,806
	Other Funds	88,966,042	77,183,848	95,592,998
	Total	$ 135,559,433	$ 127,274,798	$ 145,989,206
8	**Public Safety**			
	General Revenue	$ 75,463,330	$ 88,660,485	$ 88,378,127
	Federal Funds	202,664,289	131,485,935	130,661,462
	Other Funds	260,752,349	307,324,567	308,376,265
	Total	$ 538,879,968	$ 527,470,987	$ 527,415,854
9	**Corrections**			
	General Revenue	$ 554,717,423	$ 612,500,212	$ 618,290,370
	Federal Funds	5,562,860	6,941,995	6,919,861
	Other Funds	37,221,577	50,634,406	49,368,725
	Total	$ 597,501,860	$ 670,076,613	$ 674,578,956
10	**Mental Health**			
	General Revenue	$ 586,151,801	$ 616,597,388	$ 629,846,417
	Federal Funds	451,624,580	500,992,156	546,612,597
	Other Funds	34,389,473	41,934,883	41,801,097
	Total	$ 1,072,165,854	$ 1,159,524,427	$ 1,218,260,111

FY 2010 OPERATING BUDGET SUMMARY

House Bill		FY 2008 Expenditures	FY 2009 Appropriations	Governor's Recommendation FY 2010
10	**Health and Senior Services**			
	General Revenue	$ 228,999,445	$ 243,607,994	$ 253,861,566
	Federal Funds	552,870,721	586,115,078	619,991,896
	Other Funds	19,886,754	25,440,709	24,385,859
	Total	$ 801,756,920	$ 855,163,781	$ 898,239,321
11	**Social Services**			
	General Revenue	$ 1,424,702,451	$ 1,599,886,697	$ 1,649,173,071
	Federal Funds	3,023,290,964	3,565,044,825	3,920,180,903
	Other Funds	1,760,015,509	1,725,213,763	1,800,531,559
	Total	$ 6,208,008,924	$ 6,890,145,285	$ 7,369,885,533
12	**Elected Officials**			
	General Revenue	$ 53,129,921	$ 50,843,746	$ 51,398,881
	Federal Funds	10,384,178	23,548,603	23,678,481
	Other Funds	49,623,091	42,217,222	45,594,480
	Total	$ 113,137,190	$ 116,609,571	$ 120,671,842
12	**Judiciary**			
	General Revenue	$ 163,977,569	$ 168,964,851	$ 168,228,581
	Federal Funds	6,351,553	10,408,187	10,535,501
	Other Funds	11,284,461	10,518,330	10,349,833
	Total	$ 181,613,583	$ 189,891,368	$ 189,113,915
12	**Public Defender**			
	General Revenue	$ 32,826,287	$ 34,069,815	$ 35,015,969
	Federal Funds	39,000	125,000	125,001
	Other Funds	1,731,364	2,980,263	2,984,149
	Total	$ 34,596,651	$ 37,175,078	$ 38,125,119
12	**General Assembly**			
	General Revenue	$ 31,465,100	$ 34,275,667	$ 35,396,263
	Federal Funds	0	0	0
	Other Funds	167,067	292,255	294,804
	Total	$ 31,632,167	$ 34,567,922	$ 35,691,067
13	**Real Estate**			
	General Revenue	$ 102,766,528	$ 109,955,809	$ 112,620,526
	Federal Funds	22,817,572	23,609,434	24,707,110
	Other Funds	12,559,209	13,073,450	13,404,487
	Total	$ 138,143,309	$ 146,638,693	$ 150,732,123

FY 2010 OPERATING BUDGET SUMMARY

House Bill		FY 2008 Expenditures	FY 2009 Appropriations	Governor's Recommendation FY 2010
14	**Operating Supplemental**			
	General Revenue	$	$ 35,504,247	$
	Federal Funds		50,432,155	
	Other Funds		60,613,748	
	Total	$	$ 146,550,150	$
	Total Operating Budget			
	General Revenue	$ 7,997,084,387	$ 8,674,892,964	$ 8,830,002,523
	Federal Funds	5,608,293,080	6,428,938,274	6,865,366,352
	Other Funds	7,002,280,715	7,469,147,504	7,387,694,597
	Total	$ 20,607,658,182	$ 22,572,978,742	$ 23,083,063,472

SUPPLEMENTAL RECOMMENDATIONS
FISCAL YEAR 2009

	GENERAL REVENUE	FEDERAL FUNDS	OTHER FUNDS	TOTAL*
Department of Elementary and Secondary Education	$ 5,369,903	$ 321,067	$ 29,592,717	$ 35,283,687
Department of Revenue	1,145,769	250,500	203,902	1,600,171
Department of Transportation	500,000	0	0	500,000
Office of Administration	0	16	5,000,000	5,000,016
Department of Economic Development	97,480	0	48,000	145,480
Department of Insurance, Financial Institutions and Professional Registration	0	0	65,128	65,128
Department of Labor and Industrial Relations	0	0	14,453,281	14,453,281
Department of Public Safety	324,704	0	1,220,287	1,544,991
Department of Corrections	3,707,451	0	0	3,707,451
Department of Mental Health	6,432,472	5,378,866	0	11,811,338
Department of Health and Senior Services	15,688,000	26,712,000	0	42,400,000
Department of Social Services	1,044,496	17,137,756	9,281,445	27,463,697
Elected Officials	44,067	0	0	44,067
Statewide Leasing	1,149,905	631,950	748,988	2,530,843
TOTAL HOUSE BILL 14	$ 35,504,247	$ 50,432,155	$ 60,613,748	$ 146,550,150

*Excludes refunds and other items not included in Executive Budget totals.